



ଓଡ଼ିଶା ସରକାର
GOVERNMENT OF ODISHA

**ACTION TAKEN REPORT
ON
THE RECOMMENDATIONS OF
FIFTH
ODISHA STATE FINANCE COMMISSION**

**FINANCE DEPARTMENT
FEBRUARY, 2020**

**GOVERNMENT OF ODISHA
FINANCE DEPARTMENT**

**EXPLANATORY MEMORANDUM AS TO THE ACTION TAKEN
ON THE RECOMMENDATIONS MADE BY FIFTH STATE
FINANCE COMMISSION IN ITS REPORT SUBMITTED TO THE
HON'BLE GOVERNOR OF ODISHA.**

The Fifth State Finance Commission was constituted by the Governor under the provisions of Article-243-I and 243-Y of the Constitution of India, read with Section 3 and 8 of Odisha Finance Commission (Miscellaneous Provisions) Act, 1993 (Odisha Act 28 of 1993) vide Notification No.15340 FIN-BUD6-SFC-0002-2018/F dated 5th May, 2018 to recommend on specific aspects of the finances of Local Bodies and the aggregate distribution of State resources among the Local Bodies during the award period from 1st April, 2020 to 31st March, 2025.

- 2.** The 5th State Finance Commission was mandated to recommend –
- (i)** The principles that should govern-
- (a)** the distribution between State and Panchayati Raj Institutions and the Municipalities of the net proceeds of taxes, duties, tolls and fees leviable by the State which may be divided amongst them under Part-IX and Part-IXA of the Constitution and the allocation between the Panchayats at all levels and the Municipalities of their respective shares of such proceeds;
 - (b)** the determination of taxes, duties, tolls and fees which may be assigned to, or appropriated by Gram Panchayats, Panchayat Samities and Zilla Parishads or, as the case may be, Municipalities; and
 - (c)** the Grants-in-aid to the Gram Panchayats, Panchayat Samities, Zilla Parishads or, as the case may be, Municipalities from the Consolidated Fund of the State.

(ii) the measures needed to improve the financial position of the Gram Panchayats, Panchayat Samities, Zilla Parishads and Municipalities.

(iii) any other matters, which the Governor may refer to the Commission in the interest of sound finance of Gram Panchayats, Panchayat Samities, Zilla Parishads and Municipalities.

3. Article 280 (3) (bb) & (c) of the Constitution of India stipulate that, the Central Finance Commission should recommend the measures needed to augment the Consolidated Fund of the State to supplement the resources of the Local Bodies (Panchayats and Municipalities) in the State on the basis of the recommendations made by the Finance Commission of the State.

4. The Commission has submitted its report covering all aspects of its mandate to the Hon'ble Governor on 2nd August, 2019. The summary of recommendations of the Commission as contained in Chapter-XII of the report is placed in **Annexure**.

5. The report of the Commission aims at promoting democratic decentralised governance through fiscal empowerment of the Local Bodies in the State. Important Financial and Non-Financial Recommendations of the Commission include:

5.1 Financial Recommendations :

Limit of total transfer

5.1.1 The Commission has recommended to limit the total transfer of funds to the Local Bodies within 10% of State's Own Net Tax revenue projected for the period 2020-25.

Scheme of devolution

5.1.2 The Commission has recommended the devolution amount earmarked for PRIs and ULBs to be untied in nature.

5.1.3 The Commission has recommended that 3% of the net own tax revenue during the period 2020-25 is to be

devolved and distributed between PRIs and ULBs in the ratio of 75:25. The Commission has recommended that devolved fund is the right of the local bodies and should be used as per their own priorities and decisions.

5.1.4 While allocating the devolution of funds between PRIs and ULBs, the Commission has adopted the criteria such as density of population, size of population, percentage of population below poverty line (Tendulkar Methodology) and percentage of scheduled caste and scheduled tribe population with weightage assigned to each criterion.

5.1.5 The Commission has recommended *inter-se* distribution amongst three tiers PRIs on the basis of population, category and number of units like GPs, PSs etc. The *inter-se* distribution of devolution among GPs, PSs and ZPs is in the ratio of 70:20:10 respectively.

5.1.6 To accord priority to the development needs and to take care of cost disadvantage of the scheduled areas, the Commission has recommended devolution of additional 25% of funds in favour of GPs situated in scheduled areas.

5.1.7 The Commission has recommended *inter-se* allocation among the ULBs on the basis of population of each ULB.

Assignment of taxes

5.1.8 Since Entry Tax, Advertisement Tax and Entertainment Tax have been subsumed under GST, the Commission has recommended 7.46 per cent of net State GST (SGST) revenue to be assigned to the local bodies in lieu of such taxes during the award period.

5.1.9 Further, the Commission has recommended 8.03 per cent of net proceeds of MV tax to PRIs and ULBs for

maintenance and improvement of road infrastructure during the period 2020-25.

Grants-in-aid

5.1.10 The Commission has recommended Grants-in-aid to meet the requirement of fund partly or fully for selected sectors for both PRIs and ULBs.

Total transfer to Local bodies

5.1.11 The Commission has assessed total requirements of the Local Bodies to the tune of Rs.50,282.50 crore out of which, Rs.20,771.64 crore is recommended for transfer from State's Consolidated fund. Balance amount is to be met from transfer on the basis of 15th Finance Commission's recommendations. The broad break-up of recommendations of the Commission is given below:

Fund requirement of Local Bodies during 2020-25

(Rs. in Crore)

Funds requirement of the Local Bodies during 2020-25		
1	Devolution	6100.70
2	Assignment of taxes	7821.94
3	Grants-in-aid	36359.86
Total		50282.50

5.1.12 The Commission has recommended for transfer of Rs.20771.64 Crore from the State's Consolidated Fund for the Local Bodies during the award period. The details are as under :

Total Transfer to Local Bodies recommended for the period 2020-25

(From State Resources)

(Rs. in crore)

HEADS	2020-21	2021-22	2022-23	2023-24	2024-25	2020-25
a) DEVOLUTION						
i) PRIs	915.09	915.09	915.09	915.09	915.09	4575.45
ii)ULBs	305.05	305.05	305.05	305.05	305.05	1525.25
TOTAL	1220.14	1220.14	1220.14	1220.14	1220.14	6100.70
b) ASSIGNMENT OF TAXES						
i) PRIs	759.55	797.07	837.00	879.48	924.66	4197.76

HEADS	2020-21	2021-22	2022-23	2023-24	2024-25	2020-25
ii)ULBs	664.89	716.05	685.27	745.94	812.03	3624.18
TOTAL	1424.44	1513.12	1522.27	1625.42	1736.69	7821.94
c) GRANTS-IN-AID						
i) PRIs	978.99	1018.99	1018.99	1018.99	1018.99	5054.95
ii)ULBs	348.81	361.31	361.31	361.31	361.31	1794.05
TOTAL	1327.80	1380.30	1380.30	1380.30	1380.30	6849.00
GRAND TOTAL	3972.38	4113.56	4122.71	4225.86	4337.13	20771.64

5.1.13 The Commission restricted the total transfer to 10% of estimated net divisible pool as given below for the award period of five years (2020-25).

(Rs. in Crore)

ITEMS	Gross Tax Revenue						Cost of Collection	Net Tax Revenue
	2020-21	2021-22	2022-23	2023-24	2024-25	2020-25		
Total Tax Revenue	35133.86	39002.99	43305.40	48090.08	53411.54	218943.87	10441.21	208502.66

5.1.14 As per provision of Article 280 (3) (bb) & (c) of the Constitution of India, 5th State Finance Commission has recommended that, the 15th Finance Commission may consider augmenting the State's Consolidated Fund to meet the balance requirement of Rs.29,510.86 crore in the next five year period commencing from 2020-21 to supplement the resources of Local Bodies over and above the fund recommended for transfer from the State's Resources.

5.2 Non-financial Recommendations

Strengthening of Human Resources

5.2.1 In order to improve the capacity for utilisation of funds and fund management the Commission has recommended engagement of at least one Accountant-cum-Data Entry Operator for two GPs and one GPTA for

every two GPs. Therefore, the Commission recommends creation of 3399 posts of Accountant-cum-DEO and 947 no. of posts of GPTA.

5.2.2 The Commission has recommended for setting up of one state level institute with professional experts so as to impart training regularly to the manpower and elected representatives engaged in urban administration.

5.2.3 The PEOs and the GPEOs along with the proposed Accountant-cum-DEO should also undergo capacity building training at Madhusudan Das Regional Academy of Financial Management (MDRAFM), Bhubaneswar to get the practical knowledge of accounting and reporting requirement of GPs.

Strengthening of infrastructure facilities

5.2.4 The Commission has recommended that all the ULBs may be directed to prepare the accounts under the double entry system of book keeping, maintain the asset register in a systematic manner, undertake annual stock taking and upload the assets record in the National Asset Directory on a regular basis.

5.2.5 ULBs need to develop Integrated Urban Accessibility Planning (IUAP) which must include: (i) Data Collection and Mapping, (ii) Analysing the magnitude of the problems and (iii) type of intervention required.

5.2.6 The Government need to expedite the process of creating and maintaining a data base of Local Bodies finances.

5.2.7 The State can increase the number of e-services to be provided to citizens while building the capacity of GP officials and providing necessary ICT infrastructure.

5.2.8 Public disclosure of essential financial information as prescribed under rules may be ensured by all the GPs.

5.2.9 An integrated module of Accounting and Budgeting should be developed, as per OMC Act and Odisha Municipal Accounting Manual which will be useful for monitoring of receipts and expenditures of ULBs.

Measures needed to enhance OSR of Local Bodies

5.2.10 To start, with Government may consider imposing property tax in the Census Towns which have urban characteristics but situated in GPs.

5.2.11 Vigorous efforts should be made for collection of arrear demand along with current dues relating to tax and non-tax revenues along with measures for pursuing cases locked up in litigation.

5.2.12 User charges and fees should be levied and collected by Municipal bodies wherever services provided are user specific and identifiable. It should aim at achieving improved accountability, reduction of wasteful use and the principles of social equity.

5.2.13 The ULBs can explore to develop such water bodies as Eco-park with recreation facilities which can be a source of revenue for the ULBs.

5.2.14 The Odisha Municipal (Amendment) Act, 2015 introducing property tax with “Unit Area Method” of assessment is yet to be made effective in the State. Moreover, the “Valuation Board” contemplated in the Act has not yet been made operational. Steps need to be taken expeditiously by the Government in this regard.

5.2.15 The Commission recommends that all market yards managed on revenue sharing basis by RMCs may be transferred to the control of the Gram Panchayats and the Municipalities in whose jurisdiction such market yards function.

- 5.2.16** The Commission recommends that by converging funds available under different schemes income generating assets can be maintained efficiently to yield higher revenues for GPs. Similarly, for Urban Local Bodies, the same approach can be adopted.
- 5.2.17** A tax on vacant land in urban areas can be examined by the Government to mobilise additional resources and at the same time fostering urban development.
- 5.2.18** A tax on deficit parking space in Commercial areas can be considered by the State Government so as to ensure better parking management and raising resources.
- 5.2.19** ULBs can augment their own source of revenue by levy of service charges on sewerage and solid waste disposal wherever such services are provided.

General Issues:

- 5.2.20.** The Commission has recommended that a District Level Monitoring Committee (DLMC) under the Chairmanship of the Collector and DM may be constituted at the district level which should meet on quarterly basis.
- 5.2.21.** GPs should take the ownership of roads lying within the jurisdiction of Gram Panchayats and monitor constantly their improvement and maintenance.
- 5.2.22.** Land transfer by Revenue & Disaster Management Department to ULBs for creation of capital assets, public service utilities, development of landfill sites and other ancillary activities need to be simplified. A land transfer policy for ULBs needs to be formulated.

6. Action Taken Note

6.1 After careful consideration of the financial recommendations of the Commission for transfer of funds to Local Bodies during 2020-25, the State Government have decided to accept the principles enunciated in Paragraph 5.1.1, 5.1.10 and 5.1.14 above with certain modifications as indicated in Para 6.2.

6.2 (i) It is to be mentioned that, 5th SFC has recommended inter se devolution of funds among three tiers of PRIs in the manner of 70:20:10 respectively for GP, PS and ZP. During 4th SFC it was in the order of 70:25:05. But PR&DW Department have suggested for inter se allocation devolution funds of 5th SFC among the three tiers of PRIs in the order of 60:30:10 and out of 30 per cent allocated to Panchayat Samities, 50 per cent will be tied up for drinking water, sanitation, solid waste management etc. and rest 50 per cent will be untied fund to be utilised for providing basic services like communication, improvement of secondary educational institutions and health care institutions like CHCs and PHCs.

(ii) Accordingly, Government took a conscious decision for distribution of devolution amount among the three tiers of PRIs in the ratio of 60:30:10 considering the proposals of PR&DW Department. However, the total amount of transfer to PRIs as recommended by the Commission shall remain unchanged.

6.3 It may be mentioned here that, Ministry of Finance (Department of Economic Affairs) vide their Notification No. SO 4308(E) dated 29.11.2019 have extended the period of 15th Central Finance Commission for a further period of one year. The Central Finance Commission is required to submit two Reports, namely, a first Report for financial year 2020-21 and a final Report for an extended period of 2021-22 to 2025-26. The final Report shall cover a period of five year commencing from 1st April 2021.

In the mean while the Commission has submitted its interim report for 2020-21. Since the 5th State Finance Commission have already submitted their Report recommending transfer of fund for a period of five years commencing from 1st April 2020, it is felt necessary to make the period of recommendation of 5th SFC synchronise with that of 15th FC. It is therefore required to assess the requirement of fund for Local Bodies for the year 2025-26 keeping in view the broad principles adopted by the Commission in its Report. Accordingly, taking in to account the rate of growth considered by the 5th SFC, the amount of transfer to Local Bodies for the year 2025-26 has been made and it is decided by Government to transfer a total sum of Rs.23848.12 crore from Consolidated Fund of the State for the said period. The amount of devolution and assignment has been arrived at for the extended period of one year i.e. 2025-26 on the basis of recommendations for the previous years i.e. 2020-25. However, the amount of Grants-in-aid is kept at the recommended level covering a period of six years instead of five year recommended by the Commission. The arrear salary of municipal employees has been taken into account during the period 2020-21 and 2021-22 in respect of ULBs and it has been maintained at normal level during the subsequent years. Accordingly, the scheme of transfer of resources to the Local Bodies has been worked out for 2020-26. However, since State Government employees have not yet received the full amount of arrear salary on account of 7th Pay Commission recommendations, the principle and modalities of payment of arrear salary to ULB employees on this account will be decided in due course.

The details of the scheme of transfer of resources to Local Bodies during the period 2020-26 are indicated in the Table below :-

**Scheme of Transfer of Resources to Local Bodies for the period from
2020-26**

							Rs. in Crore
DISTRIBUTION MECHANISM	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2020-26
DEVOLUTION							
Gram Panchayats	549.05	549.05	549.05	549.05	549.05	549.05	3294.30
Panchayat Samities	274.53	274.53	274.53	274.53	274.53	274.53	1647.18
Zilla Parishads	91.51	91.51	91.51	91.51	91.51	91.51	549.06
(i) Total PRIs	915.09	915.09	915.09	915.09	915.09	915.09	5490.54
Municipal Corporations	123.95	123.95	123.95	123.95	123.95	123.95	743.70
Municipalities	130.00	130.00	130.00	130.00	130.00	130.00	780.00
NACs	51.10	51.10	51.10	51.10	51.10	51.10	306.60
(ii) Total ULBs	305.05	305.05	305.05	305.05	305.05	305.05	1830.30
Total Devolution	1220.14	1220.14	1220.14	1220.14	1220.14	1220.14	7320.84
ASSIGNMENT OF TAXES							
1. Salary & Establishment cost	551.19	581.26	613.14	646.93	682.74	720.29	3795.55
2. Sitting fee, Honorarium, TA & DA	115.21	115.21	115.21	115.21	115.19	115.19	691.22
Assignment (1+2) (out of SGST in lieu of Entry Tax)	666.40	696.47	728.35	762.14	797.93	835.48	4486.77
Maintenance/Improvement of road infrastructure (out of MV Tax)	93.15	100.60	108.65	117.34	126.73	136.87	683.34
(i) Total PRIs	759.55	797.07	837.00	879.48	924.66	972.35	5170.11
1. Salary & Establishment cost	596.50	642.40	605.93	660.46	719.91	784.70	4009.90
2. Sitting fee & Honorarium	2.56	2.56	2.56	2.56	2.56	2.56	15.36

Rs. in Crore							
DISTRIBUTION MECHANISM	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2020-26
Assignment (1+2) (out of SGST in lieu of Entry Tax)	599.06	644.96	608.49	663.02	722.47	787.26	4025.26
Maintenance/ Improvement of road infrastructure (out of MV Tax)	65.83	71.09	76.78	82.92	89.56	96.73	482.91
(ii) Total ULBs	664.89	716.05	685.27	745.94	812.03	883.99	4508.17
Total Assignment of taxes	1424.44	1513.12	1522.27	1625.42	1736.69	1856.34	9678.28
GRANTS-IN-AID							
Drinking water (Piped Water Supply)	125.00	125.00	125.00	125.00	125.00	125.00	750.00
Tube well System (Solar Energy)	41.66	41.66	41.67	41.67	41.67	41.67	250.00
All weather connectivity	97.69	97.69	97.69	97.69	97.69	97.70	586.15
Provision of facilities at GP headquarters	113.30	113.30	113.30	113.30	113.30	113.30	679.80
Provision of street lights	56.66	56.66	56.67	56.67	56.67	56.67	340.00
Development of Rural Haats	50.00	50.00	50.00	50.00	50.00	50.00	300.00
Maintenance of Capital assets	58.33	58.33	58.33	58.33	58.34	58.34	350.00
Maintenance of Primary School Buildings	52.33	52.33	52.33	52.33	52.34	52.34	314.00
Preservation & development of water bodies	20.83	20.83	20.83	20.83	20.84	20.84	125.00
Creation of capital assets for revenue generation	141.66	141.66	141.67	141.67	141.67	141.67	850.00

Rs. in Crore							
DISTRIBUTION MECHANISM	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2020-26
Funds for innovative Practices	12.50	12.50	12.50	12.50	12.50	12.50	75.00
Creation of District Data Centers at District Level for PRIs and ULBs	25.00	25.00	25.00	25.00	25.00	25.00	150.00
Creation of Infrastructure for Banking facilities at GP Hqrs	20.83	20.83	20.83	20.83	20.84	20.84	125.00
Incentives	0.00	32.00	32.00	32.00	32.00	32.00	160.00
(i) Total PRIs	815.79	847.79	847.82	847.82	847.86	847.87	5054.95
Sanitation & Solid Waste Management	63.33	63.33	63.33	63.33	63.34	63.34	380.00
Provisions for safe drinking water	83.33	83.33	83.33	83.33	83.34	83.34	500.00
Creation of capital assets for revenue generation	34.50	34.50	34.50	34.50	34.50	34.50	207.00
Maintenance of capital assets	13.33	13.33	13.33	13.33	13.34	13.34	80.00
Maintenance of Primary School Buildings	4.34	4.34	4.34	4.34	4.34	4.35	26.05
Establishment of water testing labs at district level	6.66	6.66	6.67	6.67	6.67	6.67	40.00
Development of water bodies	20.83	20.83	20.83	20.83	20.84	20.84	125.00
Electric crematorium	8.33	8.33	8.33	8.33	8.34	8.34	50.00

Rs. in Crore							
DISTRIBUTION MECHANISM	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2020-26
Development of civic amenities at Konark NAC	6.66	6.66	6.67	6.67	6.67	6.67	40.00
Storm water drainage	33.33	33.33	33.33	33.33	33.34	33.34	200.00
New NACs' Infrastructure	3.50	3.50	3.50	3.50	3.50	3.50	21.00
Septage Management	8.33	8.33	8.33	8.33	8.34	8.34	50.00
Funds for Innovative Practices	4.16	4.16	4.17	4.17	4.17	4.17	25.00
Incentives	0.00	10.00	10.00	10.00	10.00	10.00	50.00
(ii) Total ULBs	290.63	300.63	300.66	300.66	300.73	300.74	1794.05
Total Grants-in-Aid	1106.42	1148.42	1148.48	1148.48	1148.59	1148.61	6849.00
Grand total to PRIs	2490.43	2559.95	2599.91	2642.39	2687.61	2735.31	15715.60
Grand total to ULBs	1260.57	1321.73	1290.98	1351.65	1417.81	1489.78	8132.52
Grand Total	3751.00	3881.68	3890.89	3994.04	4105.42	4225.09	23848.12

6.4 The Commission had recommended for creation of District Data centres at the district level for the Local Bodies for systematic collection of data at regular interval and uploading such information from each unit of PRIs and ULBs and for monitoring the progress of different schemes along with utilisation of funds. Government has decided that, the recommended amount of Rs.150 Crore during the award period shall be placed with E&IT Department for creating dedicated space in the State Data Centre exclusively for PR&DW Department and H&UD Department for storage of data relating to PRIs and ULBs since creating Data Centre at district level is not technically feasible.

- 6.5** The Commission recommended an amount of Rs.50 crore for construction of electric crematoria in ULBs to promote use of electric crematorium thereby causing less pollution and conserving the environment. Government decided that, this amount shall be spent for creation of environment friendly crematoria and not necessarily electric crematoria in the ULBs keeping in view the ground reality.
- 6.6** Assignment from SGST in lieu of Entry Tax for Panchayati Raj Institutions and Urban Local Bodies towards Salary and Establishment cost, Sitting Fee, Honorarium, TA&DA are to be in accordance with the normative recommendations of the Commission.
- 6.7** In case 15th Finance Commission recommends the grant for the same purpose for which 5th SFC has already recommended resources, the 15th Finance Commission grant shall not be mixed up with 5th SFC grant. Separate account for 15th FC grant and 5th SFC grant shall be maintained by the Local Bodies, if it is for the same purpose.
- 6.8** There shall be one dedicated Cell in PR&DW Department and H&UD Department each with full-fledged staff to monitor the implementation of grant, submission of utilisation certificate, manner of utilisation of grants etc. and furnish information to Finance Department from time to time.
- 6.9** There shall be a High Level Monitoring Committee headed by Chief Secretary with Development Commissioner and Secretaries of Finance, PR&DW and H&UD Department as Members to review the progress of utilisation of grants to Local Bodies so provided as per the recommendations of 5th SFC. The Committee will be served by Finance Department.
- 6.10** There shall be a District level Monitoring Committee in each district under the Chairmanship of Collector & DM with PD, DUDA and representatives of the line departments as

Members and PD, DRDA as Member Convenor to review the demand and collection of own sources of revenue, progress of expenditure, submission of utilisation certificate etc. on quarterly basis.

- 6.11** Finance Department will issue detailed guidelines for utilisation of specific Grants-in-aid and follow up mechanism with the approval of High Level Monitoring Committee in respect of recommendations.
- 6.12** A special supplement to the Budget document in respect of transfer to the Local Bodies shall be presented by Finance Department in the Legislative Assembly by the end of fiscal year (31st March) regarding utilisation of grants by the Local Bodies.
- 6.13** Both PR&DW Department and H&UD Department shall put in place computerised Management Information System (MIS) extending required facilities to Finance Department for monitoring implementation of the recommendations of the Commission pertaining to ULBs and PRIs.
- 6.14** The flow of fund to PRIs and ULBs will be monitored through a special module in IFMS.
- 6.15** Incentivisation of performance in Own Sources of Revenue (OSR) by Local Bodies shall be institutionalised.
- 6.16** Grants-in-aid recommended by the Commission for any specific purpose should not overlap with any existing State or Central Scheme. In such cases, where there is provision of fund under any State or Central Schemes similar to the sector recommended by the Commission, then equivalent amount as recommended by the Commission shall be deducted from the State Scheme or it may be treated as contribution/share of State Government/Local Bodies in case of Central Scheme.
- 6.17** Recommendations and suggestions pertaining to strengthening human resources, institutional strengthening,

measures needed to augment own sources of revenue of Local Bodies, other financial and accounting measures and general issues as recommended by the Commission and contained in the summary of recommendations at Annexure are being examined by the State Government in detail. The respective Departments would examine such recommendations and suggestions on merit and take appropriate follow up action within a stipulated time period in consultation with the High Level Monitoring Committee.

The report of the fifth State Finance Commission covering the five year period commencing from 1st April, 2020 together with the Explanatory Memorandum on the Action Taken on the recommendations of the Commission covering a period of six years (i.e. 2020-26) is being laid on the Table of the House, in pursuance of Article 243-I (4) and 243-Y (2) of the Constitution.

Bhubaneswar
Dated the 17th February, 2020

Niranjan Pujari
Minister, Finance

SUMMARY OF RECOMMENDATIONS

A summary of recommendations of the Commission is presented under the following broad heads:

- A.** Transfer of funds
- B.** Institutional strengthening:
 - (i)** Strengthening of human resources
 - (ii)** Strengthening of infrastructure facilities
 - (iii)** Other financial and accounting measures
- C.** Measures needed to enhance OSR of Local Bodies.
- D.** General Issues

A. Transfer of funds:

The Commission considered it appropriate to limit the total transfer of funds within 10% of State's Own Net Tax revenue projected for the period 2020-25. **(11.18)**

I. Devolution

✓ The principles with regard to devolution of funds, as adopted by the Commission, are as follows:

- a.** Devolution of funds between PRIs and ULBs is based on criterion such as density of population, size of population, percentage of population below poverty line (Tendulkar Methodology) and percentage of scheduled caste and scheduled tribe population with weightage assigned to each criterion. **(11.20-i)**
- b.** Based on the criteria cited above, devolution of funds is to be distributed between PRIs and ULBs in the ratio of 75:25. **(11.20-ii)**
- c.** The devolution amount is to be untied in nature. **(11.20-iii)**
- d.** Inter se distribution among GPs, PSs and ZPs works out approximately in the ratio of 70:20:10 respectively. **(11.26)**

e. Inter-se allocation among ULBs is recommended on the basis of population of each ULB. **(11.27)**

✓ Devolution of funds to PRIs and ULBs are Rs.4575.45 crore and Rs.1525.25crore respectively out of total devolution amount of Rs.6100.70crore. **(11.20)**

✓ GPs were grouped into four categories basing on population size in each GP and amount of devolution is recommended by the Commission for each category. **(11.22)**

✓ To accord priority to the development needs and to take care of cost disadvantage of the scheduled areas, the Commission has devolved additional 25% of funds in favour of GPs situated in scheduled areas. The total devolution to all 6798 GPs is Rs.3202.40 crore. **(11.23)**

✓ The number of GPs in each Panchayat Samiti has been taken as the basis for allocation of funds to Panchayat Samitis. While allocating funds for PSs, @ Rs.2.7 lakh per GP per year has been calculated for the award period. The total amount of devolution in favour of PSs is Rs.917.75 crore during the period 2020-25. **(11.24)**

✓ The Commission has considered the number of Panchayat Samitis in each ZP as the basis in computing the devolution amount for Zilla Parishads. While allocating funds for ZPs, @ Rs.29 lakhs per PS per year has been calculated and accordingly the Commission recommends Rs.455.30 crore for five years for 30 Zilla Parishads. **(11.25)**

✓ The total devolution recommended to GPs, PSs and ZPs amounts to Rs.3202.40 crore, 917.75 crore and 455.30 crore respectively as shown year wise in the Table presented below **(11.26)**:

Year-wise Devolution to PRIs during 2020-25

(Rs. in Crore)

	2020-21	2021-22	2022-23	2023-24	2024-25	2020-25
GPs	640.48	640.48	640.48	640.48	640.48	3202.40
PSs	183.55	183.55	183.55	183.55	183.55	917.75
ZPs	91.06	91.06	91.06	91.06	91.06	455.30
Total	915.09	915.09	915.09	915.09	915.09	4575.45

✓ The Commission recommends Rs.619.75 crore, Rs.650 crore and Rs.255.50 crore for Municipal Corporations, Municipalities and NACs respectively out of total devolution to ULBs amounting to Rs.1525.25 crore as shown year wise in the Table below. **(11.28)**

Year-wise Devolution to ULBs during 2020-25

(Rs. in Crore)						
	2020-21	2021-22	2022-23	2023-24	2024-25	2020-25
Municipal Corporations	123.95	123.95	123.95	123.95	123.95	619.75
Municipalities	130.00	130.00	130.00	130.00	130.00	650.00
NACs	51.10	51.10	51.10	51.10	51.10	255.50
TOTAL	305.05	305.05	305.05	305.05	305.05	1525.25

II. Assignment of Taxes

✓ Since Entry Tax, Advertisement Tax and Entertainment Tax have been subsumed under GST, the Commission recommends 7.46 per cent of State GST (SGST) revenue be assigned to LBs in lieu of Entry Tax, Advertisement Tax and Entertainment Tax. **(11.31)**

✓ The Commission further recommends that 8.03 per cent net proceeds of Motor Vehicle Tax assigned to PRIs and ULBs for maintenance and improvement of road infrastructure. **(11.32)**

II (i) Assignment of Taxes to PRIs

✓ The Commission recommends an allocation of Rs.3075.26 crore towards salary and establishment cost for PRIs. This amount includes salary of Accountant-cum-DEOs and additional number of GPTAs recommended by the Commission. **(11.33 & 11.38)**

✓ The Commission recommends Rs.576.03 crore towards enhanced sitting fee, honorarium, TA&DA of the elected representatives of PRIs out of SGST in lieu of Entry tax. **(11.38)**

✓ The Commission recommends Rs.546.47 crore towards maintenance and improvement of road infrastructure in rural areas out of MV tax during the award period. The Table below indicates year wise assignment of taxes in favour of PRIs. **(11.38)**

Year-wise Assignment to PRIs during 2020-25

(Rs. in Crore)

ITEMS	2020-21	2021-22	2022-23	2023-24	2024-25	2020-25
1. Assignment (out of SGST in lieu of Entry Tax)	666.40	696.47	728.35	762.14	797.93	3651.29
2. Maintenance / Improvement of road infrastructure (out of MV Tax)	93.15	100.60	108.65	117.34	126.73	546.47
Total	759.55	797.07	837.00	879.48	924.66	4197.76

(ii) Assignment of Taxes to ULBs

✓ The Commission recommends Rs.3225.20 crore towards salary and establishment cost and Rs.12.80 crore towards revised sitting fee and honorarium of the elected representatives of ULBs out of SGST in lieu of Entry Tax. **(11.44)**

✓ An amount of Rs.386.18 crore is assigned out of net proceeds of MV Tax towards maintenance and improvement of road infrastructure during the award period.**(11.44)**

✓ The total assignment of taxes to PRIs and ULBs is recommended at Rs.4197.76 crore and Rs.3624.17 crore respectively. The Table below indicates assignment of taxes year wise in favour of ULBs.**(11.45)**

Year-wise Assignment to ULBs during 2020-25

(Rs. in Crore)

ITEMS	2020-21	2021-22	2022-23	2023-24	2024-25	2020-25
1. Assignment (1+2) (Out of SGST)	599.06	644.96	608.49	663.02	722.47	3238.00
2. Maintenance / Improvement of road infrastructure (out of MV Tax)	65.83	71.09	76.78	82.92	89.56	386.18
Total	664.89	716.05	685.27	745.94	812.03	3624.18

III (i) Grants-in-aid to PRIs

✓ The Commission recommends an amount of Rs.1000 crore for meeting drinking water needs with special emphasis on water stressed pockets. This amount includes Rs.250 crore for installation of solar energy based tube well system with overhead tank.**(11.48.1)**

- ✓ Estimating an allocation of Rs.5.00 lakh per km., the Commission recommends a total amount of Rs.586.15 crore for all weather connectivity to 4322 unconnected villages/hamlets.(**11.48.2**)
- ✓ The Commission recommends provision of Rs.10.00 lakhs per GP amounting to a total of Rs.679.80 crore for provision of waiting shed, separate toilet facilities both for men and women and provision of safe drinking water during the award period.(**11.48.3**)
- ✓ An amount of Rs.340 crore is recommended by the Commission towards provision of street lights in uncovered villages. The option of Solar lighting can be explored.(**11.48.4**)
- ✓ A provision of Rs.300 crore @ Rs.60 crore per annum is recommended for development of Rural Haats owned by GPs.(**11.48.5**)
- ✓ The Commission recommends an amount of Rs.350 crore for maintenance of capital assets during the award period.(**11.48.6**)
- ✓ A sum Rs.314 crore is recommended for PSs @ Rs.1 crore for each PS during the award period for maintenance of primary school buildings.(**11.48.7**)
- ✓ An amount of Rs.125 crore is recommended for preservation and development of water bodies in GPs.(**11.48.8**)
- ✓ The Commission recommends Rs.850 crore @ Rs.170 crore per annum for creation of capital assets for revenue generation like multi-purpose kalyan mandaps, market complexes, orchards etc. during the award period.(**11.48.9**)
- ✓ In order to encourage new initiatives and innovative practices, the Commission recommends an amount of Rs.75 crore @ Rs.15.00 crore per annum to be utilised by the PRIs who will qualify for innovative initiatives.(**11.48.10**)

✓ The Commission recommends an allocation of Rs.1.00 cr. per annum per district amounting to Rs.150.00 crore over a period of five years for creation of a District Data Centre for PRIs and ULBs in each district.**(11.48.11)**

✓ In order to have banking facilities at unbanked GP headquarters wherever viable, the Commission recommends Rs.125 crore @ Rs.25 crore per annum for creation of additional space at GP headquarters.**(11.48.12)**

✓ An amount of Rs.160.00 crore is recommended @ Rs.40 crore per annum for providing incentive grants for four years.**(11.48.13)**

(ii) Grants-in-aid to ULBs

✓ The Commission recommends an amount of Rs.380.00 crore for sanitation and solid waste management of ULBs out of which an amount of Rs.30.00 crore will be set apart for introducing mechanical sweeping of roads.**(11.50.1)**

✓ In order to tackle the problem of water supply in water stressed ULBs and to overcome the problem of fluoride, iron etc. as well as replacement of damaged pipes, an amount of Rs.500.00 crore is recommended.**(11.50.2)**

✓ An amount of Rs.207 crore is recommended for creation of Capital assets for revenue generation of ULBs. Each NAC would be given Rs.20 lakh per annum, each Municipality would be given Rs.40 lakh per annum and each Municipal Corporation would be given Rs.2 crore per annum.**(11.50.3)**

✓ An amount of Rs.80.00 crore is kept towards maintenance of capital assets of ULBs for five years @ Rs.16.00 crore each year.**(11.50.4)**

✓ The Commission recommends a sum Rs.26.05 crore for maintenance of primary school buildings. Each NAC, Municipality and Municipal Corporation would be given an amount of Rs.15 lakh, Rs.30 lakh, Rs.50 lakh respectively for a period of five years.**(11.50.5)**

- ✓ The Commission recommends a provision of Rs.40 crore towards establishment of water testing laboratories at the district level for quality monitoring.(**11.50.6**)
- ✓ The Commission recommends an amount of Rs.125 crore for development of water bodies.(**11.50.7**)
- ✓ An amount of Rs.50 crore is recommended by the Commission for construction of electric crematoria in ULBs.(**11.50.8**)
- ✓ The Commission recommends an amount of Rs.40 crore for development of civic amenities in Konark NAC.(**11.50.9**)
- ✓ The Commission recommends an amount of Rs.200 crore for development of storm water drainage during the award period.(**11.50.10**)
- ✓ The Commission recommends an amount of Rs.21 crore for seven new NACs @ Rs.3 crore each in order to develop new meeting hall and other infrastructure facilities.(**11.50.11**)
- ✓ The Commission recommends an amount of Rs.50 crore for septage management by ULBs during the award period. (**11.50.12**)
- ✓ An amount of Rs.5 crore per annum totaling to Rs.25 crore over a period of five years has been earmarked for encouraging innovative practices.(**11.50.13**)
- ✓ An allocation of Rs.50 crore is recommended towards incentives @ Rs.12.50 crore each year commencing from the year 2021-22.(**11.50.14**)

Year-Wise Sector Specific Funding to Local Bodies from 2020-25

(Rs. in crore)

	Sl. No	Sectors	2020-21	2021-22	2022-23	2023-24	2024-25	Total
PRIs	1	Drinking water (Piped Water Supply)	150.00	150.00	150.00	150.00	150.00	750.00
	2	Tube well System(Solar Energy)	50.00	50.00	50.00	50.00	50.00	250.00
	3	All weather connectivity	117.23	117.23	117.23	117.23	117.23	586.15
	4	Provision of facilities at GP headquarters	135.96	135.96	135.96	135.96	135.96	679.80
	5	Provision of street lights	68.00	68.00	68.00	68.00	68.00	340.00
	6	Development of Rural Haats	60.00	60.00	60.00	60.00	60.00	300.00
	7	Maintenance of Capital assets	70.00	70.00	70.00	70.00	70.00	350.00
	8	Maintenance of Primary School Buildings	62.80	62.80	62.80	62.80	62.80	314.00
	9	Preservation and development of water bodies	25.00	25.00	25.00	25.00	25.00	125.00
	10	Creation of capital assets for revenue generation	170.00	170.00	170.00	170.00	170.00	850.00
	11	Funds for innovative Practices	15.00	15.00	15.00	15.00	15.00	75.00
	12	Creation of District Data Centers at District Level for PRIs and ULBs	30.00	30.00	30.00	30.00	30.00	150.00
	13	Creation of Infrastructure for Banking facilities at GP Hqrs	25.00	25.00	25.00	25.00	25.00	125.00
	14	Incentives	0.00	40.00	40.00	40.00	40.00	160.00
Total-PRIs			978.99	1018.99	1018.99	1018.99	1018.99	5054.95

(Rs. in Crore)

	Sl. No	Sectors	2020-21	2021-22	2022-23	2023-24	2024-25	Total
ULBs	1	Sanitation & Solid Waste Management	76.00	76.00	76.00	76.00	76.00	380.00
	2	Provisions for safe drinking water	100.00	100.00	100.00	100.00	100.00	500.00
	3	Creation of capital assets for revenue generation	41.40	41.40	41.40	41.40	41.40	207.00
	4	Maintenance of capital assets	16.00	16.00	16.00	16.00	16.00	80.00
	5	Maintenance of Primary School Buildings	5.21	5.21	5.21	5.21	5.21	26.05
	6	Establishment of water testing labs at district level	8.00	8.00	8.00	8.00	8.00	40.00
	7	Development of water bodies	25.00	25.00	25.00	25.00	25.00	125.00
	8	Electric crematorium	10.00	10.00	10.00	10.00	10.00	50.00
	9	Development of civic amenities at Konark NAC	8.00	8.00	8.00	8.00	8.00	40.00
	10	Storm water drainage	40.00	40.00	40.00	40.00	40.00	200.00
	11	New NACs' Infrastructure	4.20	4.20	4.20	4.20	4.20	21.00
	12	Septage Management	10.00	10.00	10.00	10.00	10.00	50.00
	13	Funds for Innovative Practices	5.00	5.00	5.00	5.00	5.00	25.00
	14	Incentives	0.00	12.50	12.50	12.50	12.50	50.00
Total - ULBs			348.81	361.31	361.31	361.31	361.31	1794.05
Grand Total (PRIs + ULBs)								6849.00

✓ The sharing of taxes and transfer from the State's Consolidated Fund to PRIs and ULBs under three heads i.e. Devolution, Assignment of taxes and Grants-in-aid are as follows (**11.53**) :

(Rs. in crore)

HEADS	2020-21	2021-22	2022-23	2023-24	2024-25	2020-25
a)DEVOLUTION						
i) PRIs	915.09	915.09	915.09	915.09	915.09	4575.45
ii)ULBs	305.05	305.05	305.05	305.05	305.05	1525.25
TOTAL	1220.14	1220.14	1220.14	1220.14	1220.14	6100.70
b)ASSIGNMENT OF TAXES						
i) PRIs	759.55	797.07	837.00	879.48	924.66	4197.76
ii)ULBs	664.89	716.05	685.27	745.94	812.03	3624.18
TOTAL	1424.44	1513.12	1522.27	1625.42	1736.69	7821.94
c)GRANTS-IN-AID						
i) PRIs	978.99	1018.99	1018.99	1018.99	1018.99	5054.95
ii)ULBs	348.81	361.31	361.31	361.31	361.31	1794.05
TOTAL	1327.80	1380.30	1380.30	1380.30	1380.30	6849.00
GRAND TOTAL	3972.38	4113.56	4122.71	4225.86	4337.13	20771.64

✓ The total fund requirement worked out for the Local Bodies during the five-year period 2020-25 is Rs.50,282.50 crore out of which, the State Finance Commission recommends an amount of Rs.20,771.64 crore, which leaves a gap of Rs.29,510.86 crore. The Commission therefore, recommends that the 15th Finance Commission may consider augmenting the State's Consolidated Fund by Rs.29,510.86 crore, to supplement the resources of the local bodies over and above the fund recommended for transfer from the State's resources.(11.57)

B. Institutional strengthening:

(i) Strengthening of Human resources:

✓ In order to improve the capacity for utilisation of funds and fund management the Commission recommends augmentation of technical and accounting manpower to ensure timely completion of schemes and projects. The Commission recommends additional manpower support such as Accountant-cum-Data Entry Operators, GPTAs for GPs.(5.25)

- ✓ The Commission recommends that the PR&DW Department may examine the Tamil Nadu model of Solid Waste Management (Rural) and try it in some GPs on a pilot basis **(6.12)**.
- ✓ The elected representatives of PRIs need to be properly trained on various aspects of developmental and welfare schemes of Government so that they participate and effectively monitor the progress under the schemes.**(6.26.d)**
- ✓ For achieving proper coordination and involvement of Municipal Bodies, H & UD Department need to put in place a frame work of guidelines relating to the functioning of line agencies like Development Authorities, Sewerage Board, PHEO, Director Town Planning and others.**(6.53.a)**
- ✓ The spending capacity of all Municipal Bodies does not match with the level of manpower that is required for providing a minimum level of basic services. Hence, Government need to strengthen the human resources for speedy utilisation of funds.**(6.53.e)**
- ✓ The Commission recommends for setting up of one state level institute with professional experts so as to impart training regularly to the manpower and elected representatives engaged in urban administration.**(6.53.h)**
- ✓ The Commission recommends that deployment of at least one Accountant-cum-Data Entry Operator for every two GPs is required in order to manage the accounting records properly. Similarly, one GPTA for every two GPs is required for smooth execution of developmental works. Therefore, the Commission recommends creation of 3399 posts of Accountant-cum-DEO and 947 no. of posts of GPTA. **(11.33)**
- ✓ There is a need for proper training and guidance to the Accounting personnel so as to switch over from Cash based Accounting system to Accrual based Accounting system. The Administrative Department should take expeditious steps for proper training of the Accounting personnel. The PEOs and the GPEOs along with the proposed Accountant cum DEO should also undergo capacity building training at Madhusudan Das Regional Academy of Financial Management (MDRAFAM) to get the practical knowledge of accounting and reporting requirement of GPs.**(9.26.b & 9.26.h)**

(ii) Strengthening of infrastructure facilities:

- ✓ The effective and efficient utilisation of funds released by both Central and State governments depend largely on the preparation of a comprehensive Gram Panchayat Development Plan (GPDP). The Commission recommends that GPDP should be prepared on the basis of the guidelines issued by the Government along with necessary participation of the people in Palli sabha and Grama sabha.(5.24)
- ✓ The use of PRIASoft by all GPs for maintaining accounts requires availability of internet facility. It is therefore recommended that all GPs in the State should be provided with internet facility to enable them to upload data on physical & financial transactions on a real time basis in PRIASoft and National Asset Directory (5.26 & 9.26.c)
- ✓ Reports of the Local Fund Audit Organisation reveal that double entry system of accounting software under the Odisha e-Municipalities Accounting and Audit System is used only in Municipal Corporations and a few other large municipalities. In case of NACs, accounts are still maintained manually. In view of the above, the Commission recommends that all the ULBs may be directed to prepare the accounts under the double entry system of book keeping, maintain the asset register in a systematic manner, undertake annual stock taking and upload the assets record in the National Asset Directory on a regular basis.(5.29)
- ✓ For promotion of technology in rural areas, Information and Communication Technology (ICT) at the GP levels can be used to improve the service delivery.(6.26.f)
- ✓ ULBs need to develop Integrated Urban Accessibility Planning (IUAP) which must include: (i) Data Collection and Mapping, (ii) Analysing the magnitude of the problems and (iii) type of intervention required.(6.53.c)
- ✓ The Government need to expedite the process of creating and maintaining a data base of local finances.(7.21.b)
- ✓ Although the State has adopted and promoted the use of ICT at the PRI and ULB level, yet adoption of the ICT infrastructure in local bodies is not fully functional. The State can increase the number of e-services to be

provided to citizens while building the capacity of GP officials and providing necessary ICT infrastructure.(10.18)

✓ The State level institute i.e. SUDA which is undertaking the training programmes and exposure visits of elected representatives and officials should be strengthened with adequate manpower, infrastructure, quality resource persons, IT professionals etc. H & UD Department can remodel SUDA in the pattern of a National Level Institute.(10.24.a & 10.24.b)

✓ Particular emphasis has to be given to E-governance in delivery of basic services while conducting the training programmes. Special focus may be given on application of ICT in programme implementation and monitoring. (10.24.c &10.26.d)

✓ Decentralised training programmes can be organised at Divisional headquarters with the support of DUDA. Training for elected representatives at regular intervals to be conducted. Capacity building through partnership with NGOs and other reputed academic institutions can be organised. Special training programmes may be conducted for elected women representatives.(10.24.d, 10.26.a, 10.26.b & 10.26.c)

(iii) Other financial and accounting measures:

✓ The present format of the Cash Book, as prescribed, needs to be simplified looking at the revenue and expenditure pattern of the GPs. Some obsolete items of receipts and expenditures need to be done away with.(9.26.d)

✓ Public disclosure of essential financial information as prescribed under rules may be ensured by all the GPs.(9.26.e)

✓ Information relating to functioning of GPs should be uploaded on e-Panchayat Portal regularly.(9.26.f)

✓ An integrated module of Accounting and Budgeting should be developed, as per OMC Act and Odisha Municipal Accounting Manual which will be useful for monitoring of receipts and expenditures of ULBs.(9.26.i)

C. Measures needed to enhance OSR of Local Bodies:

- ✓ The State Government may consider empowering the GPs to levy and collect such taxes and fees which are potentially elastic in nature. The Commission has suggested some measures for additional resource mobilisation by GPs.(**7.21.a, 11.60.a,b,c,d & e**)
- ✓ PR & DW Department vide Notification No.990/20.06.2018 has empowered the Panchayats for approval of building plans and collect scrutiny fee, infrastructure development fee and sanction fee as per prescribed rate chart. This is a potential source of revenue for GPs. Sufficient awareness may be created for tapping the above source.(**7.21.c**)
- ✓ The Government may consider imposition of property tax by GPs subject to some exemptions as deemed proper. In this connection it may be mentioned that there are Census Towns which have urban characteristics but situated in GPs. To start with Government may consider imposing property tax in the Census Towns.(**7.21.d, 11.60.f**)
- ✓ The rates and structure of different taxes prescribed under the Municipal Act require revision and changes, wherever necessary.(**8.19.a**)
- ✓ Vigorous efforts should be made for collection of arrear demand along with current dues relating to tax and non-tax revenues along with measures for pursuing cases locked up in litigation.(**8.19.b**)
- ✓ User charges and fees should be levied and collected by Municipal bodies wherever services provided are user specific and identifiable. It should aim at achieving improved accountability, reduction of wasteful use and the principles of social equity.(**8.19.c**)
- ✓ The State of Chhattisgarh has come up with “Chhattisgarh Municipal Revenue (Establishment & Regulatory Commission) Act, 2011 which establishes a Regulatory Commission to safeguard the interest of citizens and to rationalise and regulate user charges and other revenue collections by ULBs. The State Government can make a detailed study and may take appropriate decision.(**8.19.d**)
- ✓ Revenue & Disaster Management Department vide its order no- 36868 dated 03.11.2014 has ordered for transfer of water bodies, tanks (Jalasay)

etc. situated in urban areas to the administrative control of ULBs. The ULBs can explore to develop such water bodies as Eco-park with recreation facilities which can be a source of revenue for the ULBs.(**8.19.e**)

✓ Huge capital investments are necessary to upgrade and create infrastructure in urban areas. Municipal Corporations of the State may tap external resources on the basis of their credit worthiness with prior approval of State Government.(**8.19.f**)

✓ The Odisha Municipal (Amendment) Act, 2015 introducing property tax with “Unit Area Method” of assessment is yet to be made effective in the State. Moreover, the “Valuation Board” contemplated in the Act has not yet been made operational. Steps need to be taken expeditiously by the Government in this regard.(**8.19.g, 11.61.f**)

✓ All Government institutions like Offices, Guest Houses, Circuit Houses, Schools, Colleges, Universities, Other Government institutions should be asked to have adequate budgetary provisions pertaining to Municipal service charges (a component of Holding/Property Tax).(**8.19.h**)

✓ Developmental charges may be levied on industrial units by the concerned Local Bodies under whose jurisdiction such industries are located. The rates of such developmental charges can be decided by the Government.(**11.60.g**)

✓ The Government may consider imposing a cess on generation of power by the power plants to be shared between the Rural and Urban Local Bodies in whose jurisdiction the power plants are set up as those plants contribute to high pollution levels in the local areas.(**11.60.h**)

✓ It is necessary that markets situated in Gram Panchayat/Municipal areas which are being managed by the RMCs should be transferred to the management of the Local Bodies concerned. The Commission recommends that all market yards managed on revenue sharing basis by RMCs may be transferred to the control of the Gram Panchayats and the Municipalities in whose jurisdiction such market yards function.(**11.60.i**)

✓ The Commission recommends that by converging funds available under different schemes income generating assets can be maintained

efficiently to yield higher revenues for GPs. Similarly, for Urban Local Bodies, the same approach can be adopted.(**11.60.j**)

✓ The Commission recommends that while continuing the registration fee as prescribed by the Government for all minor forest produce traders, a transaction fee can also be levied by the Panchayats based on volume of transactions. This matter may be examined by Government and appropriate action may be taken.(**11.60.k**)

✓ A tax on vacant land in urban areas can be examined by the Government to mobilise additional resources and at the same time fostering urban development.(**11.61.a**)

✓ A tax on deficit parking space in Commercial areas can be considered by the State Government so as to ensure better parking management and raising resources.(**11.61.b**)

✓ The Commission recommends for consideration of the Government to share the proceeds of conversion charges between the Panchayats and the ULBs in the ratio of 75:25 respectively in cases of conversion of agricultural land for non-agricultural use.(**11.61.c**)

✓ With the growth of private Nursing Homes and Hospitals in Urban areas, it is necessary that a suitable service charge should be levied by the concerned Local Bodies on these institutions. (**11.61.d**)

✓ At present some Urban Local Bodies are collecting parking fees out of the parking of vehicles on the roads or designated parking areas. New market centres have also grown up in the rural areas. The Commission recommends that appropriate parking space should be developed by Urban Local Bodies and Rural Local Bodies wherever such parking areas are needed and such Local Bodies may levy parking fees not only to augment their own income but also to regulate the traffic.(**11.61.e**)

✓ ULBs can augment their own source of revenue by levy of service charges on sewerage and solid waste disposal wherever such services are provided.(**11.61.g**)

D. General Issues :

- ✓ The Commission recommends that a District Level Monitoring Committee (DLMC) under the Chairmanship of the Collector and DM may be constituted at the district level with PD, DRDA as Member Convenor, PD, DUDA as Member and the concerned line department representatives as Members to review the progress of expenditure on quarterly basis. This is suggested in addition to existing HLMC and other monitoring arrangements.(3.10)
- ✓ The Commission recommends that unbanked GPs having commercial viability should have some additional accommodation in their office premises for providing banking facilities.(5.27)
- ✓ The Commission recommends that meeting at the ward level of ULBs should be conducted regularly so as to discharge the duties assigned to the ward committee.(5.28)
- ✓ GPs should play a constant and active role in water quality monitoring and providing hygiene education with necessary participation from the community members.(6.26.a)
- ✓ GPs should take the ownership of roads lying within the jurisdiction of Gram Panchayats and monitor constantly their improvement and maintenance.(6.26.b)
- ✓ Comprehensive guidelines need to be circulated for the GPs for tank renovation.(6.26.e)
- ✓ Management of markets, daily haats should remain with the ULBs within which such markets exist. (6.53.b)
- ✓ Land transfer by Revenue & Disaster Management Department to ULBs for creation of capital assets, public service utilities, development of

landfill sites and other ancillary activities need to be simplified. A land transfer policy for ULBs needs to be formulated.(6.53.d)

✓ Each Urban Local Body should have a drainage master plan in order to avoid the problems of water logging during rainy season.(6.53.f)

✓ Urban Open Space Management Planning should form an important activity of the ULB. State Government need to formulate a suitable policy in the light of “Urban Greening Guidelines, 2014” of Government of India.(6.53.g)

✓ Population should not be the sole criteria for declaring “a transitional area” “a smaller urban area” and “a larger urban area”.(6.53.i)

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